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Public Utility Commission of Texas

Memorandum

TO: Interim Chair Kathleen Jackson
Commissioner Will McAdams
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

FROM: Ramya Ramaswamy, Market Analysis Division
Harika Basaran, Market Analysis Division

DATE: November 21, 2023

RE: November 30, 2023, Open Meeting – Item No. 33
Project No. 54445 – *CY 2023 Review of Rules Adopted by the Independent Organization (Discussion and possible action)*

Before the Commission are two Nodal Protocol Revision Requests (NPRRs) and one System Change Request (SCR) for approval.

These revision requests were passed through the stakeholder process by the Technical Advisory Committee (TAC) and approved by the Electric Reliability Council of Texas (ERCOT) Board of Directors (Board) at their October 17, 2023, meeting. The Board Report and ERCOT Impact Analysis for these revisions were filed in this project on October 23, 2023.¹ These documents are intended to provide an overview describing each revision. Commission Staff recommends approval of each of these revisions.

- NPRR1184, *Update to Procedures for Managing Interest on Cash Collateral*

This NPRR clarifies and improves ERCOT's management of interest received by ERCOT and owed to Counter-Parties for posted Cash Collateral. It requires ERCOT to credit Counter-Party Collateral accounts for interest on a monthly basis, as opposed to the current annual process. Therefore, it eliminates the need for ERCOT to send annual individual wires for interest payments. Additionally, this NPRR requires ERCOT to report monthly the interest calculation to the Counterparty.

Staff Recommendation	Approve
Board Action	Unanimously Approved

¹ *Notice of Recommended Approval of Revision Requests by ERCOT Board of Directors*, Project No. 54445, AIS Item No.35 (Oct. 23, 2023).

Related Commission/Legislative Directive	N/A
TAC Opposition	None
ERCOT Market Impact Statement	ERCOT Staff has reviewed NPRR1184 and believes that it provides a positive market impact by creating market efficiencies and enhancements through, both, the clarification of ERCOT's management of interest that is received by ERCOT and owed to Counter-Parties for posted Cash Collateral, and the requirement that ERCOT credit Counter-Party Collateral accounts for interest on a monthly basis and report the interest calculation.
Sponsor	Tenaska Power Services
IMM Opinion	No Opinion

- NPRR1186, *Improvements Prior to the RTC-B Project for Better ESR State of Charge Awareness, Accounting, and Monitoring*

NPRR1186 aims to improve the awareness, accounting, and monitoring of the State of Charge (SOC) for Energy Storage Resources (ESRs) during the interim period until Real-Time Co-Optimization (RTC) and Single-model ESR (RTC+B) with *SOC accounting* is implemented. With RTC+B, ESR SOC will be modeled and accounted for in ERCOT studies, Ancillary Service (AS) awards and dispatch. However, this is several years away.

NPRR1186 proposes to bridge the gap with minimum system changes in the interim to allow ERCOT to reliably monitor and account for an ESR's Ancillary Service Resource Responsibilities, so that ERCOT can better understand each ESR's current energy capability and expected energy capability in future hours.

SOC of an ESR will be solely managed by the ESR's Qualified Scheduling Entity (QSE). Some of these SOC telemetry reporting requirements for the QSEs were put in place in 2019.² New operational data requirements are added to include each ESR's current energy capability and expected energy capability in the hours where the ESR is expected to provide energy and Ancillary Service awarded during day ahead.

Staff opinion:

Staff has closely monitored this NPRR during the stakeholders' process and met multiple times with ERCOT, IMM, and stakeholders.

Staff recommends approval of the final version of NPRR1186 based on the following policy reasons:

1. Projected exponential growth of ESRs will be difficult for ERCOT to reliably manage without NPRR 1186 – installed capacity of batteries is expected to grow to over 14 GW by 2025.³

² NPRR957, *RTF-4 Definition of Energy Storage Resource and Related Registration and Telemetry Requirements*.

³ *ERCOT Market Initiative Overviews for DRRS, ORDC, PCM, and RTC-B*, Project No. 53298 (Aug. 21, 2023).

2. ERCOT is the third largest independent system operator (ISO) in the country and has the second largest grid-scale energy storage capacity in the country after California ISO. ERCOT has a unique energy-only market construct and is the only major power region without RTC or SOC requirements.
3. ESRs are duration-limited resources. ESRs do not generate energy, but rather withdraw energy from the grid or from another source, storing it to be discharged later. These unique characteristics of ESRs provide great benefits but also require additional monitoring due to their dual capability to act as load and generation.
4. ESRs are carrying larger quantities of Ancillary Services in real-time. NPRR1186 provides greater clarity and transparency of SOC-related responsibilities for QSEs managing ESRs.
5. Clarifying the SOC requirements while carrying Ancillary Services responsibility in the protocols will enable ERCOT to report violations of the commission rule § 25.503(f)(6) and (g)(3), failing to preserve sufficient SOC to cover Ancillary Service Resource Responsibility. Currently all resource types except ESRs are required to comply with § 25.503(f)(6) and (g)(3). Failure to implement NPRR1186 provides unfair advantages to ESRs over other types of dispatchable generation resources.
6. Improving awareness and monitoring capabilities of the fuel supply chain for all types of resources is essential for ERCOT's hourly operations and to maintain grid reliability.
7. ERCOT has other NPRRs in process which are aimed at improving visibility of fuel availability for both natural gas and coal resources.⁴
8. Staff is not aware of any concerns that this NPRR will be seen as a disincentive for future investment in longer duration batteries in the ERCOT market.
9. Staff would like to note that there was no consensus among the independent generator segment representing various battery developers, and some ESR developers did support NPRR1186 at the Protocol Revision Subcommittee (PRS).⁵
10. Resiliency of the grid can only be positively impacted by better awareness of real time capability of all resources, including duration limited resources.
11. ESRs are a timely and valuable addition to ERCOT's resource mix. By adding SOC requirements, ERCOT is applying a consistent standard across resource types.

Staff Recommendation	Approve
Board Action	Unanimously Approved
Related Commission/Legislative Directive	N/A
TAC Opposition	There was one opposing vote from the IREP (APG&E) Market Segment.
ERCOT Market Impact Statement	ERCOT Staff has reviewed NPRR1186 and believes the market impact for NPRR1186 provides a necessary, cost-effective, interim solution to improve the awareness, accounting, and monitoring of SOC for the growing number of ESRs on the system until the implementation of the RTC+B project.
Sponsor	ERCOT
IMM Opinion	Supports

⁴ See NPRR1170, *Capturing Natural Gas Delivery Information for Natural Gas Generation Resources*; NPRR1181 *Submission of Coal and Lignite Inventory Notifications*

⁵ 2023 PRS, NPRR 1186 Ballot 20230810 (<https://www.ercot.com/calendar/08102023-PRS-Meeting>)

- SCR824, *Increase File Size and Quantity Limits for RIOO Attachments*

This SCR increases the attachment file size and quantities allowed within the Resource Integration and Ongoing Operations (RIOO) system. It allows developers to provide necessary interconnection-related data to ERCOT.

Staff Recommendation	Approve
Board Action	Unanimously Approved
Related Commission/Legislative Directive	N/A
TAC Opposition	None
ERCOT Market Impact Statement	ERCOT Staff has reviewed SCR824 and believes it has a positive market impact by increasing the file sizes and quantities for attachments within RIOO without negatively impacting loading and processing times.
Sponsor	Genesis Consolidated Industries Inc. (GCI)
IMM Opinion	No Opinion

Please find attached a proposed order for your consideration consistent with Commission Staff's recommendation in this memo.

PROJECT NO. 54445

**CY 2023 REVIEW OF RULES
ADOPTED BY THE INDEPENDENT
ORGANIZATION**

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**PUBLIC UTILITY COMMISSION

OF TEXAS**

PROPOSED ORDER APPROVING ERCOT REVISION REQUESTS

This Order addresses three revisions to Electric Reliability Council of Texas (ERCOT) rules. The Commission approves these revisions and accompanying market impact statements.

At its meeting on October 17, 2023, the ERCOT Board of Directors (Board) recommended Commission approval of the following three proposed revisions to the ERCOT rules: two Nodal Protocol Revision Requests (NPRRs), and one System Change Request (SCR).

- NPRR1184, *Update to Procedures for Managing Interest on Cash Collateral*
- NPRR1186, *Improvements Prior to the RTC \ B Project for Better ESR State of Charge Awareness, Accounting, and Monitoring*
- SCR824 *Increase File Size and Quantity Limits for RIOO Attachments*

On October 23, 2023, for each proposed revision, ERCOT filed a copy of its Board Report, which includes an ERCOT Market Impact Statement, and ERCOT Impact Analysis. These supporting ERCOT documents constitute the market impact analysis. Commission Staff filed a memorandum on November 21, 2023, related to these revisions in which it recommends that the Commission approve the revisions to the rules. The Commission finds that these revisions to the ERCOT rules are necessary for the proper functioning of the ERCOT market as demonstrated by the supporting material. The Commission issues the following orders:

1. The Commission approves NPRR1184 and accompanying market impact statement.
2. The Commission approves NPRR1186 and accompanying market impact statement.
3. The Commission approves SCR824 and accompanying market impact statement.

Signed at Austin, Texas the _____ day of _____ 2023

PUBLIC UTILITY COMMISSION OF TEXAS

KATHLEEN JACKSON, INTERIM CHAIR

WILL MCADAMS, COMMISSIONER

LORI COBOS, COMMISSIONER

JIMMY GLOTFELTY, COMMISSIONER